

Message Text

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ACTION EUR-12

INFO OCT-01 IO-11 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01 /102 W

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R 082125Z JAN 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7928

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY OSLO

USMISSION EC BRUSSELS

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USMISSION GENEVA

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AMCONSUL BELFAST

AMCONSUL EDINBURGH

AMCONSUL LIVERPOOL

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E.O. 11652: N/A

TAGS: ELAB, PINT, UK

SUBJECT: A CONSERVATIVE JEREMIAH SPEAKS HIS MIND

SUMMARY - SIR KEITH JOSEPH, THE LEADING THEORETICIAN OF
THE CONSERVATIVE PARTY -- OR AT LEAST OF THE DOMINANT.

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THATCHERITE WING OF THE PARTY -- SCOFFS AT THE NOTION

THAT THE LABOR PARTY IS VULNERABLE TO AN EARLY ELECTION DESPITE ITS NEARLY NON-EXISTENT MAJORITY IN THE PARLIAMENT. HE DOES NOT APPEAR TO SUPPORT -- OR RATHER, TAKE SERIOUSLY -- MRS. THATCHER'S NEW YEAR'S PLEDGE ON BBC TO BRING DOWN THE GOVERNMENT IN 1976. SIR KEITH MADE THESE AND OTHER POINTS DURING A LUNCHEON MEETING WITH LONDON-BASED LABOR ATTACHES. (HE WAS ACCOMPANIED BY ALFRED SHERMAN, AN OFFICIAL OF THE CENTER FOR POLICY STUDIES -- THE CONSERVATIVE "THINK TANK" WHICH SIR KEITH FOUNDED.) END SUMMARY.

1. SIR KEITH MADE HIS POINT ABOUT THE PROBABILITY OF CONTINUED LABOR GOVERNMENT RULE WITHIN THE CONTEXT OF A LARGER DISCUSSION OF WHAT CONSTITUTES THE CONSERVATIVE PARTY'S ALTERNATIVE POLICIES TO THOSE OF THE LABOR GOVERNMENT. HE WAS ASKED FOR EXAMPLE ABOUT THE NEW TORY REFORM GROUP, WHOSE FOUNDERS INCLUDE PETER WALKER, LORD CARR, NICHOLAS SCOTT AND DAVID KNOX. IN A STATEMENT REPORTED BY MICHAEL JONES IN THE "SUNDAY TIMES", JANUARY 4, IT WARNED THE PARTY LEADERSHIP THAT UNLESS IT BROADENS ITS BASE AND WIDENS ITS APPEAL (TO INCLUDE FIRST TIME VOTERS, TRADE UNION MEMBERS, IMMIGRANTS AND OTHERS) "AND IF IT BECOMES OR SEEMS TO BE ONE WHICH REPRESENTS ANY SINGLE CLASS OR WHICH WANTS TO PERPETUATE THE SOCIAL DIVISIONS IN SOCIETY." IT IS DOOMED TO PERMANENT OPPOSITION. SHERMAN RETORTED THAT THE TORY REFORM GROUP REPRESENTS A SMALL MINORITY IN THE PARTY. SIR KEITH SUPPORTED THIS ASSESSMENT AND ADDED THAT THERE IS SIGNIFICANT SUPPORT FOR THE CONSERVATIVES AMONG WORKERS WHO SHARE THE BASIC BELIEFS OF THE PARTY IN FREEDOM AND FREE ENTERPRISE. (COMMENT. WHILE THE LEADERSHIP OF THE TORY REFORM GROUP DOES REPRESENT A MINORITY, ITS APPEAL TO THE BROAD MEMBERSHIP HAS YET TO BE TESTED. THUS FAR, THE GROUP HAS PRODUCED ONLY ONE OR TWO "THINK PIECES" AND THE REACTION OF THE BROAD MEMBERSHIP HAS NOT YET BEEN FULLY ASCERTAINED.) BOTH MEN, ASTONISHINGLY, TOTALLY REJECTED THE VIEW -- WHICH SHERMAN ASSERTED WAS SOARED BY THE PRESS AND THE LEFT-WING -- THAT THERE WERE CLASS DIVISIONS IN BRITISH SOCIETY.

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2. BUT. SIR KEITH WAS ASKED, HAD NOT THE CONSERVATIVE DEFEAT IN 1974 AFTER A CONFRONTATION WITH THE UNIONS PROVIDED SOME LESSONS? SIR KEITH SAID THAT THE DEFEAT WAS DUE TO HEATH'S DECISION TO DO BATTLE AT THE WRONG TIME AND AT THE WRONG PLACE. WEREN'T THE CONSERVATIVES NOW SIMPLY WAITING FOR THE LABOR GOVERNMENT TO FALL OF ITS OWN WEIGHT AND WERE THEREFORE NOT POSING ANY REAL ALTERNATIVE POLICIES? SOMEWHAT FACETIOUSLY, HE WAS PRESSED.

.HAD NOT THE CONSERVATIVES OPTED OUT OF POLITICS?" SIR
KEITH INDICATED THAT PRIME MINISTER WILSON HAD LITTLE TO
FEAR ABOUT BEING FORCED TO GO TO THE COUNTRY IN AN EARLY
ELECTION. HE SAID: "HAROLD WILSON IS WALKING A WIDE
TIGHT ROPE WITH AN INVISIBLE SAFETY NET BELOW." THERE
WERE FORTY VOTES AVAILABLE TO HIM FROM THE SCOTTISH NA-
TIONALISTS AND THE OTHER GROUPS WHICH HE WOULD BE ABLE
TO COUNT ON IN A REAL PINCH. (COMMENT: THIS IS QUES-
TIONABLE. IT WOULD DEPEND ON THE ISSUE INVOLVED.) HE
DENIED THAT THERE WAS NO ALTERNATIVE POLICY, BUT HE ONLY
VAGUELY DEFINE.,WHAT IT MIGHT BE -- AND VERY LARGELY IN
GENERAL TERMS ABOUT FREEDOM AND ENTERPRISE, THE NEED "TO
TELL THE TRUTH TO THE BRITISH PEOPLE," THE NEED FOR RE-
TURNING THE "ENTREPRENEUR" AND "THE PROFIT MOTIVE" TO
THEIR RIGHTFUL PLACES IN THE SCHEME OF THINGS.

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4. SIR KEITH WAS PESSIMISTIC ABOUT THE BRITISH ECONOMY
IN THE FORESEEABLE FUTURE. HE HAD NO DOUBT, HOWEVER,
ABOUT HIS OWN APPROACH IF HE WERE TO INFLUENCE THE DIREC-
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TION OF THE NEXT GOVERNMENT. AS THE LEADING BRITISH
MONETARIST -- AN APPELLATION HE ACCEPTED WITH ALACRITY,
SUGGESTING ALSO THAT MARGARET THATCHER SHARED HIS ECONO-
MIC POINT OF VIEW -- HE INSISTED THAT THE ESSENTIAL WIS-
DOM WAS TO KEEP DEMAND AND SUPPLY IN EQUILIBRIUM. SINCE
IT WAS NOT POSSIBLE AT THIS TIME TO CONTROL SUPPLY THEN
IT WAS NECESSARY TO CONTROL DEMAND. HE SAID. HE ACKNOW-
LEDGED THAT THE CHANCELLOR OF THE EXCHEQUER DENIS HEALEY
UNDERSTOOD THE GENERAL NEED FOR REDUCING DEMAND, BUT WAS
APPLYING THIS PRINCIPLE IN THE WRONG PLACE -- THE PRIVATE
SECTOR -- WHILE GIVING GREATER REIN TO THE PUBLIC SECTOR.

5. SIR KEITH BELIEVES, OF COURSE, THE INCOMES POLICY
APPROACH OF THE LABOR GOVERNMENT AND OF THE PREVIOUS
HEATH GOVERNMENT TO BE COMPLETELY WRONG, BUT HE RESERVED
HIS MOST VIVID EXPRESSIONS OF DOUBT FOR THE NEO-
KEYNSIANS SUCH AS JOHN KENNETH GALBRAITH -- WONDERING
ALONG IF ANYONE IN THE U.S. WAS PAYING ANY ATTENTION TO
GALBRAITH'S VIEWS THESE DAYS. HE DECLARED THAT INCOMES
POLICIES HAD NEVER WORKED (FOR LONG) IN THE UK, HAD BEEN
ABANDONED IN THE U.S. AND HE WAS SURPRISED AND DISAPPOIN-
TED TO LEARN THAT THEY HAD BEEN INTRODUCED RECENTLY IN
CANADA. HE BRUSHED ASIDE THE DANGER OF EXTREMELY STRONG
OPPOSITION FROM WORKERS TO HIS POLICY WHICH CERTAINLY
WOULD RESULT IN THE ESCALATION OF UNEMPLOYMENT. IN THE
LONG RUN, HE ARGUED, THE WORKERS WOULD BE BETTER OFF AL-
THOUGH HE CONCEDED THAT THERE WOULD BE SHORT TERM DIS-
TRESS. BUT FOR MANY YEARS, AN ATMOSPHERE OF SACRIFICE
WAS NECESSARY IF BRITAIN WERE TO RESOLVE ITS BASIC ECO-
NOMIC PROBLEMS.

6. COMMENT: INCREASINGLY, AS HE SPOKE, SIR KEITH AP-
PEARED TO BE A REINCARNATION OF SOME SORT OF DESPAIRING
JEREMIAH (DESPITE CONSIDERABLE PERSONAL CHARM, AND A
SHARO WIT WHICH BELIE HIS MORE AUSTERE PUBLIC IMAGE).
BRITAIN, HE SAID, "WAS IN DANGER OF BECOMING A VAST SLUM"
IF - IN THE IMPLICATION OF HIS REMARKS - IT DID NOT RE-
TURN TO THE OLD VERITIES -- RESPECT FOR THE "ENTREPRENEUR"
FOR "INCENTIVES," FOR "FREE ENTERPRISE." IT WAS, HE
NOTED, ONE OF THE OLDEST INDUSTRIALIZED NATIONS IN THE
WORLD YET IT HAD ONE OF THE LOWEST GROWTH RATES, PARTI-
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CULARLY IN CONTRAST TO ITS EUROPEAN NEIGHBORS' GERMANY
AND FRANCE, AND MOST CERTAINLY IN CONTRAST TO THE UNITED
STATES AND CANADA. IN SIR KEITH'S VIEW, THERE WAS LITTLE
PLACE NOW FOR INCREASES IN SOCIAL WELFARE EXPENDITURE --
EXCEPT FOR AID TO THE HANDICAPPED AND THE MENTALLY ILL.
AND PRESUMABLY. HIS NOTIONS OF WHAT NEEDS TO BE DONE EX-
CLUDE NARROW POLITICAL CONSIDERATIONS AND REQUIRE, IN-
STEAD, A HEAVY OUTLAY OF "BLOOD, SWEAT AND TEARS."

RICHARDSON

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